

## SECTION 2 – ALLOCATION OF CONSOLIDATED PLAN FUNDS

### Summary of Revenue Estimates & Allocation Plan

This 2007 Update estimates that the City's CDBG entitlement will be the same as in 2006, approximately \$12.62 million. Combined with anticipated program income of \$972,000, the total estimated CDBG budget for 2007 is \$13.59 million. This is a decrease from the 2006 budget of approximately \$15 million due to the availability in 2006 of one-time recaptured funds and other income.

For HOME, ESG, and HOPWA, we also assume level funding with 2006. Specifically:

HOME / ADDI: \$4,393,559

ESG: \$539,949

HOPWA: \$1,615,000

These estimates are based on Seattle CDBG Administration's assessment of Congressional action as of the beginning of August, 2006.

The allocation of these funds is highlighted in the chart on this page. Specific activity detail is provided in the 2007 Table of Proposed Projects, included in this document. The allocation of these Consolidated Plan funds are made in accordance with the stated policies and strategies contained in the 2005 – 2008

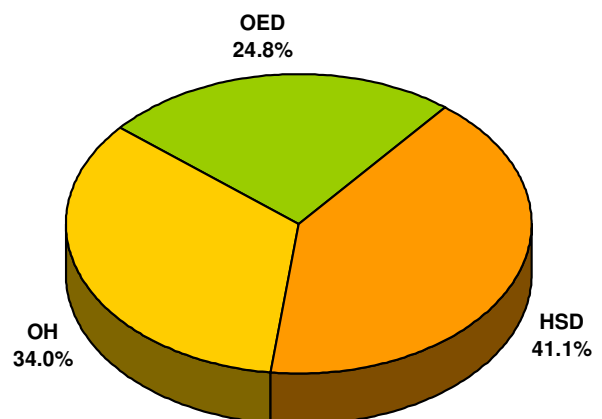
Consolidated Plan, as amended by this 2007 Update. Generally, funds are appropriated to the following City departments for the identified purposes:

**Human Services Department (HSD):** activities are focused on supporting services that assist homeless persons and families out of homelessness and into appropriate housing, and supporting non-profit social service organizations with their facility needs, and CDBG Administration. Approximately \$8 million from the Consolidated Plan funds are administered by HSD.

**Office of Housing (OH):** funds are used to create affordable housing options for low- and moderate-income Seattle residents. OH will be responsible for \$6.7 million in Consolidated Plan funds.

**Office of Economic Development (OED):** provides support for the economic development of low-income neighborhoods and businesses with a variety of business development products, and support for the neighborhood revitalization activities of the Southeast Seattle Neighborhood Revitalization Strategy Area. OED will be responsible for almost \$5 million in Consolidated Plan funds.

**2007 Allocation by Departments 8/07**



## 2007 Revised APPENDIX A to the 2005-2008 Consolidated Plan

### **Allocation Guidelines and Resources Overview**

The 2005 – 2008 Consolidated Plan anticipates the receipt and use of approximately \$96 million of federal funds in the four Consolidated Plan funding programs over the course of the four years. Recent reductions revenues for the CDBG and HOME programs suggest that this may be an optimistic number for the four-year period. However, the City's intent for these funds remains to help support the achievement of the City's housing, human services, and community development goals.

Resources from other federal, state, and local funds will be used to achieve these goals as well. Some of these other sources are utilized directly by the City and others are used by community-based non-profit organizations in conjunction with City CDBG, HOPWA, ESG, or HOME funds. Significant other federal sources include funds from the McKinney program and funds for rent certificates and vouchers and tax exempt lending programs. State funds include proceeds from the State Housing Trust Fund and the State Community Services Facilities Loan Program. Local funds from the City come from the General Fund and a seven-year Housing Levy.

The use of private resources such as debt financing, equity, expertise, materials, donations, land and buildings, is an essential element of Seattle's use of resources for affordable housing and public (community) facilities. Major sources of private investment are United Way, which increasingly supports service costs connected to emergency housing and homeless services; Impact Capital, which supports interim financing, predevelopment financing, and tax credit projects; many local foundations, which make both operating and capital grants for housing development and operation; local banks; tax credit proceeds; owner equity, match, labor, and expertise; and thousands of hours of citizens' time spent planning, and revising policy documents governing Seattle's activities in these goal areas.

### 2007 CDBG Revenue Estimate and Allocation Guidelines

Over the past five years, Seattle's CDBG entitlement has both risen and fallen. In 2003, the City's CDBG entitlement award increased by \$201,000 over the 2002 level. The allocation for 2004 was lower by \$180,000, down to \$14.8 million. Pressures on the federal budget combined with an increasing number of entitlement jurisdictions are assumed to work to reduce Seattle's share of CDBG. For 2005, the City of Seattle received \$14,038,000 in the entitlement award, a reduction of approximately \$700,000 from the 2004 entitlement. In response to the debate over the future of the CDBG program during the summer of 2005, the City planned for a 5% reduction in estimating the 2006 entitlement. In actuality, the 2006 entitlement was 10% below planning estimates, to a level of \$12,622,401.

The current Community Development Block Grant entitlement projection for 2007 is \$12,622,401, exactly the same as was received in 2006. This estimate is based on action taken by the House of Representatives and the Senate in July and August of 2006, both of which

strongly indicate that they will fund the CDBG formula allocation budget at least at the level of 2006, if not slightly more.

Program income is assumed to be \$900,000 from Minor Home Repair loan repayments and \$72,200 from float loan interest payments. Combined with the estimated entitlement, the 2007 CDBG budget will be built on an estimate of \$13,594,601.

The City's broad objectives for CDBG funds since 2006 has been to support the Ten Year Plan to End Homelessness and to support economic revitalization in Southeast Seattle. The 2007 funding allocations shall use these overall guidelines:

- The City will continue to maximize the amount of CDBG funding for public services while mitigating for major fluctuations in the public services cap caused by fluctuating program revenue. Specifically, float loan repayments and interest on float loans will not be factored into the calculation of the cap. The inclusion of float loan repayments in the cap calculation has caused significant variation in the budget over recent years which forced the City to reduce public services spending in years where there was no float loan income.
- Public service dollars shall focus on activities that support the region's Ten Year Plan to End Homelessness.
- The City made a commitment to support neighborhood revitalization in the Rainier Valley through the Rainier Valley Community Development Fund, via Ordinance 121763, adopted April 2005, which adopted a Substitute Funding Agreement with the Central Puget Sound Regional Transit Authority. Following a full allocation to the public services cap, CDBG funds will be allocated to support the intent of the Substitute Funding Agreement.
- Remaining CDBG resources shall be used to support physical and economic development activities throughout the City and City CDBG administration activities.
- All programs funded by CDBG, whether they are operated by City departments or by community-based organizations, will be consistent with the goals of the Consolidated Plan.
- CDBG allocations for programs operated by City departments will be determined through the budget process.
- The City's policy is to permit up to 20 percent of CDBG expenditures for administration and planning activities, as allowed under CDBG regulations. Also, federal regulations currently allow cities to set aside up to 10 percent of the CDBG grant funds as contingency for cost overrun.
- In the event that the projected revenues differ from the actual revenues, the CDBG Administrator will work with affected City departments and implement policies and strategies stated in this Plan. At the earliest possible opportunity, prior to submittal of the revised Table of Proposed Projects to the Council, the CDBG Administrator will present recommendations to the Mayor and Council on how to meet the actual revenues following

the substantial amendment public process rules. Mayor and Council decisions will then be incorporated into a revised annual Table of Proposed Projects submitted to HUD.

- In order to meet HUD's timely expenditure requirements and to ensure funds are expended in a deliberate and efficient process, the CDBG Administrator shall, by no later than April 1 of each year, review CDBG allocations made to all entities. The CDBG Administrator, in consultation with the affected City departments as well as the Executive department overseeing these entities, will evaluate the recapture of CDBG funds under the following conditions:
  1. Unexpended CDBG funds allocated to human services, planning, administration, and City's internal staffing and operating costs shall be recaptured at the end of City's fiscal year;
  2. Unexpended CDBG funds allocated to various technical and project assistance activities including those supporting the operations of non-profit developers carrying out economic development and low-income housing development activities, shall be recaptured at the end of a one-year contractual cycle;
  3. Unexpended CDBG funds allocated to physical development activities including Low-Income Housing, Community Facilities, Parks Upgrades, Equity Investment, and Façade Improvement shall be recaptured at the end of three years from the date of award notice or funding reservation letter from the City, unless these funds are encumbered by authorized and executed contracts, or unless substantial expenditure and progress on the project are documented, including substantial completion of design in the case of capital projects; and
  4. Funds not otherwise covered under 1, 2 and 3 above that are not awarded or encumbered after three years shall be recaptured at the end of the City's fiscal year.
- Recaptured funds will be used in accordance with the guidelines contained in this Appendix A.

Should CDBG revenues exceed the planned amount, the additional resources shall be allocated in accordance with these funding guidelines. The use of unplanned resources may also be use to: 1) mitigate the funding reductions currently applied to various CDBG programs, grant administration, and planning efforts; 2) provide a comparable funding increase to the aforementioned program areas to the extent possible, and 3) increase funding for those physical development programs that leverage non-City revenues or that do not require on-going annual funding. To the extent possible, the City shall avoid development of a CDBG operating expense base that cannot be sustained if the federal government fails to maintain future CDBG funding at the current levels.

Should CDBG revenues come in lower than planned, the City will continue its policy that the priority for managing decreases in CDBG resources will, to the extent possible, be to reduce funding allocations in physical development and/or administrative activities and not in public services nor as committed in the Substitute Funding Agreement.

- The CDBG funding reductions shall be made in planning, administration, and/or physical development programs, including program delivery costs. One-time-only capital projects are most likely to experience reduced allocations of any CDBG revenue decrease. Funding reductions may be applied across-the-board among physical development programs.

- The City will explore any other possible areas of savings or reductions that have a minimal impact on sustaining current levels of program operations and services. The CDBG Administrator shall work with affected City programs in identifying and capturing prior year CDBG under-expenditures.

#### 2007 ESG Revenue Estimate and Allocation Guidelines

ESG funds have been used in Seattle to improve the quality of emergency shelters; to support shelter initiatives to expand capacity; and to provide "essential services," non-maintenance, or security personnel to access supportive services to stabilize people in the community. A maximum of 5% of the grant is allocated to the Human Services Department for administrative costs while 95% of the total grant provides support for programs providing services to homeless people. The HSD Community Services Division administers the ESG program.

The 2006 amount was approximately \$1,500 less than projected in the 2006 adopted budget. The final 2006 award was \$539,949. The City of Seattle is projecting status quo for the 2007 award amount.

#### 2006 HOME Revenue Estimate and Allocation Guidelines

We are anticipating the ability to use \$5.29 million in HOME resources, including the annual entitlement plus program income (primarily loan repayments). Please see the Goal 1 strategies in the 2005-2008 Plan for the general uses of HOME funds.

#### 2006 HOPWA Revenue Estimate and Allocation Guidelines

Funding estimate for the 2007 Consolidated Plan is status quo. In 2006 we received \$1,615,000 for HOPWA and anticipate the same for 2007. The 2005 funding level was \$1,611,000.